

## Chapter 5

### “On Demand Business Breakthrough”

- **Business Transformation**
  - If you choose this direction, you will help your client:
    - Start with component business model
    - Define their priority business component
    - Assess underlying application and infrastructure assets
    - Implement integrated business processes and new operating and ownership approaches
    - Generate savings and reinvest them in more innovation
  - Business transformation:
    - Provides methodologies and expertise to help clients develop a business design that will yield higher returns
    - Help lay out a practical roadmap for how a client can become more of an On Demand Business.
    - Is about identifying areas of differentiation where your clients can create growth, reduce costs, or both. Helps to determine how the client needs to adapt and change its business processes to accomplish its goals.
    - IBM has made advances in the area of component business models, taking the component notion from generic to industry specific and from conceptual to highly practical and operational.
      - Responsiveness: capable of sensing changes in the environment.
      - Variable: able to adapt cost structures and business processes flexibly, to reduce risk, and to drive business performance at higher levels of productivity, cost control, capital efficiency, and flexible predictability.
      - Focused: committed to concentrating on core competencies and differentiating tasks and assets, using tightly integrated strategic partners to manage tasks ranging from manufacturing, logistics, and fulfillment, to human resources (HR) and financial operations.
      - Resilient: prepared for changes from threats as well as sudden spikes in demand.
  - Business Direction
    - Business transformation can happen for a single business process, an entire organization, or an organization's value net.
    - Business transformation requires:
      1. A deep understanding of the issues, challenges, and pain points that are facing executives in a given industry.
      2. An in-depth knowledge of how the business process functions in an On Demand Business environment, the technology

needed to enable it, and the types of cultural changes necessary to make it effective.

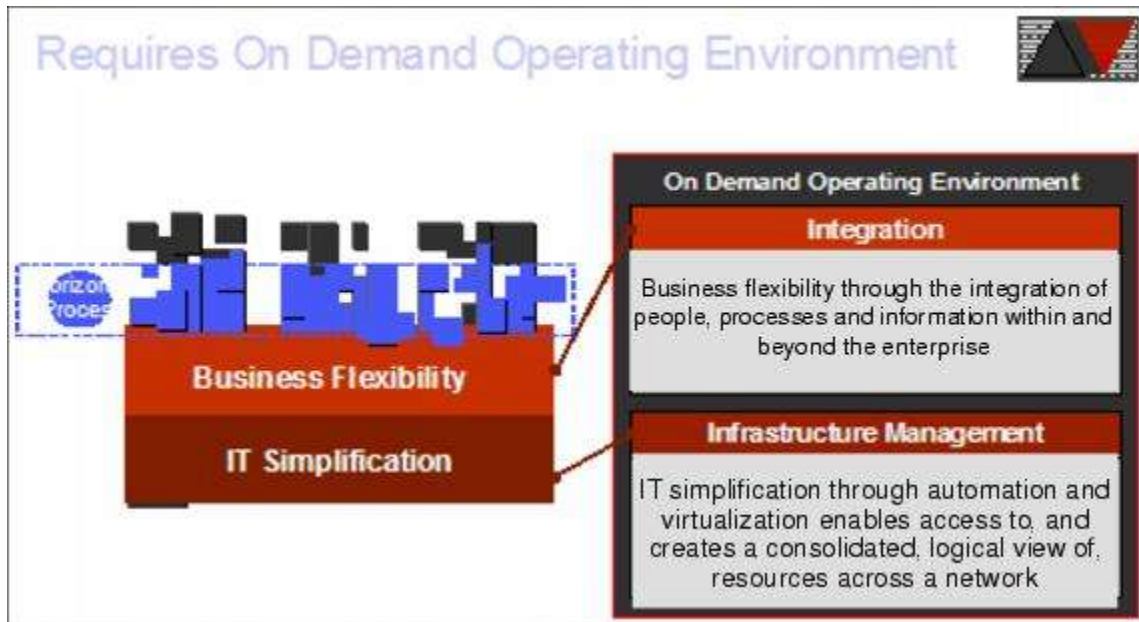
3. A significant reason for change.

- Business transformation can only happen when an organization has a partner it can trust.
- The corporate embrace of On Demand Business began in the late 1990s.
- Organizations started to connect and automate a number of traditionally stand-alone business processes and started to publish dynamic content and create basic links with clients, business partners, and suppliers. These moves rarely transformed entire enterprises, but they did yield savings and efficiencies.
- On Demand Business provides the vision and industry insight that can enable our clients to take that next step from process improvement to business transformation.
- Making the Right Decisions
  - IT enablement and business strategy are one.
  - Clients require partners who can also implement solutions.
  - On Demand Business transformation produces an enterprise that is:
    - Immediately responsive to changes in demand, supply, pricing, labor, competitor moves, capital markets, and client needs.
    - Variable in its costs structures and process adaptation.
    - Focused on its unique strengths and core competencies.
    - Resilient and able to handle anything the world throws at it.
  - The Solution Advisor must deliver a broad range of expertise since on demand business is “horizontal” and integrated across the entire business.
  - Common factors that drive the need for business transformation:
    - Unrealized or unspecified business vision
    - Disconnected marketing, sales, and service organizations
    - Costly and prolonged development cycles
    - Limited market feedback loops and limited collaborative processes
    - Traditional fixed cost manufacturing
    - Inventory and logistics optimized by location
    - High head count with most administrative responsibilities
    - Flat employee productivity
    - Limited management information inhibited by fragmented systems
    - Low utilization and heterogeneous systems with limited integration
    - Redundant infrastructure
    - Declining market share

- Increasing general, administrative, and IT costs as a percent of revenue
  - The Solution Advisor needs to work with the client to focus on:
    - Innovative, results-oriented adoption of advanced technologies, complete management information accessible anytime, anywhere.
    - Single seamless view of the client with consistent interaction models across all channels.
    - Multiple real-time market feedback points linked across the organization, along with collaborative organizational tools and designs that are intelligently linked to market feedback systems.
    - Variable-cost manufacturing and operations.
    - Inventory and logistics optimized for value; margins optimized through real-time and just-in-time interaction with suppliers and vendors.
    - High flexible employee retention and management enabled by virtualized e-learning and integrated HR systems and processes.
    - Highly utilized, interconnected, and autonomic infrastructure, one that is self-diagnosing and self-healing.
  - Business transformation helps clients transform their organization by applying deep business process insight with advanced technologies.
  - Clients see the greatest benefit as the On Demand Business transformation vision is created.
- On Demand Operating Environment
    - If you choose this direction, you will help your client:
      - Define their priority among integration, automation, and virtualization.
      - Commit to open standards, infrastructure simplification, and business process management.
      - Enable a priority business process.
      - Generate savings and reinvest them to generate additional cost savings, or free up resources for innovation.
    - On Demand Operating Environment:
      - Is an approach designed to enable the business flexibility and IT simplification that clients need to become an On Demand Business.
      - Is based on open standards and industry standards.
      - Must match the design of the business itself and must evolve to a standards based infrastructure that can optimize the entire organization.
      - Must enable efficient and flexible integration of people, processes and information.
      - Must be resilient and easy to manage.

- Looks at a set of technology capabilities that support a more flexible business design and simplifies the IT infrastructure.
  - IBM solutions leverage existing assets, enable integration, and match the infrastructure design to the business design.
  - Businesses are always looking for ways to overcome new and existing challenges by developing new strategies, looking for ways to innovate, increasing productivity, and evaluating their organizational structure and corporate culture. They can also evaluate their IT needs and existing technology to determine how to create business flexibility.
  - There are 4 main challenges facing businesses today:
    1. Continuous change
    2. Rigorous competition
    3. Financial pressure
    4. Unpredictable threats
  - These challenges require new levels of business flexibility resulting in component-based business models that lead to greater flexibility. These business models reside on horizontal end-to-end business processes that are built to change as the needs of the business change.
  - Evolutionary approach: existing technologies deployed today within client environments can be used to extract immediate value and benefits to the business.
  - An On Demand Operating Environment is a set of capabilities organized in a way that allows clients to enable business transformation through new business design.
- Operating Environment Principles
    - Changes that no longer make IT a barrier:
      - Standards for creating services and allowing them to communicate have evolved and are agreed to by major vendors in the industry.
      - Infrastructure to support self defined, loosely-coupled services has emerged.
      - Tools to incorporate existing assets are available.
      - Automation and virtualization solutions are available to manage the infrastructure.
    - Service Oriented Architecture (SOA):
      - Allows applications, processes, and defined components to be mixed and matched at will.
      - On Demand Operating Environment supports end-to-end business processes and enables complete business performance management.
    - The need for the client is increased focus on business flexibility. This need supports horizontal processes where clients have to increase their focus on overall flexibility. It must have the ability to take elements of

processes that weren't built to work together and make them work together.



- On Demand Operating Environment Capabilities
  - The two entry points are integration and infrastructure management
  - The objective is to form an open standards-based, integrated, automated, and virtualized environment.
  - The first focus to increase business flexibility through capabilities designed to speed integration initiatives.
  - The second focus is IT simplification through the creation of a single, consolidated, logical view of and access to all available resources in a network.
  - Integration:
    - Is about connecting people, processes, and information in a way that allows companies to become more flexible to the dynamics of the markets, clients, and competitors around them. By implementing the following capabilities, you can achieve that sort of integration:
      - Business Modeling
      - Process transformation
      - Application and information integration
      - Access and collaboration
      - Business process management
    - Is the efficient and flexible combination of resources to optimize operations across and beyond the enterprise (ex. Securely connecting people with relevant information, accelerating the implementation of end-to-end business processes to help

streamline operations, and consolidating information to provide a single view of data).

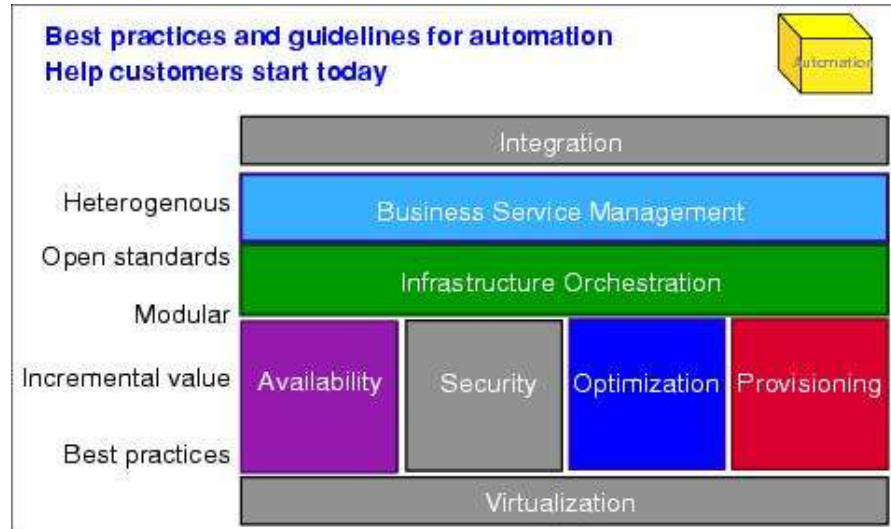
- Integration has the following capabilities:
  - Business modeling enables the graphical depiction and simulation of a business process.
  - Process transformation enables existing applications and information to be reused in new ways.
  - Application and information integration enables multiple information sources and business applications to be combined.
  - Access extends data and information to new classes of devices and methods of interaction regardless of connection type.
  - Collaboration allows users to interact in a personalized way with dynamic information, applications, processes, and people.
  - Business process management allows clients to model, deploy, and analyze processes with the goal of managing the end-to-end business process.
- SOA allows the flexibility to treat business processes and the underlying infrastructure as defined components that can be mixed and matched at will.
- IBM and Business Partners focus on the journey to become an On Demand Business by:
  - Simplifying the building, development, and deployment of On Demand Business applications.
  - Improving communication and collaboration within the business and beyond.
  - Identifying solutions that react quickly to changes in the marketplace by rapidly modifying business processes.
  - Creating links between new and existing applications.
  - Providing reaction in real time to the most relevant information by ensuring a seamless flow of information.

▪ Infrastructure Management:

- To achieve this type of management, companies need to implement the following unique capabilities:
  - Availability of resources: Helps to ensure the health and appropriate functioning of IT environments.
  - Security: Helps to ensure that information assets, confidentiality, and data integrity are effectively protected.
  - Optimization: Improves IT asset utilization, helping to cut costs, and optimizes organizations' overall IT productivity.

- Provisioning: Makes available the right resources to the right processes and people.
- Infrastructure Orchestration: Senses IT infrastructure conditions, anticipates trends and dynamically responds based on business policy.
- Business Services Management: Improves business agility by aligning IT with business priorities, proactively managing service levels.
- Resource Virtualization: Provides a single, consolidated, logical view of and easy access to all available resources in a network.
- Provides capabilities to help your client simplify and optimize the IT infrastructure.
- It tightens the link between the technologies that run your client's business and the client's business goals.
- Is the simplification and optimization of IT through automation and virtualization. It enables access to and creates a consolidated, logical view of resources across a network.
- Clients have the following requirements to remain competitive:
  - Increase flexibility to manage market volatility
  - Optimize IT infrastructure
  - Simplify and streamline business processes
- Here are four major priorities to answer client's questions. Clients need to:
  - Become agile
  - Optimize their IT resources
  - Manage the complexity of their IT environment
  - Reduce costs
- Help your clients to address their pain points. These solutions allow them to work faster, handle bigger workloads, and stay responsive to their business needs.
- Is about enabling access to and creating a consolidated, logical view of resources across a network
- Automation:
  - Is the capability to reduce the complexity of management to enable better use of assets, improve availability and resiliency, and reduce costs based on business policy and objectives.
  - Is the means by which businesses achieve efficiency, responsiveness, and flexibility.
  - Is the critical component that makes the environment on demand.

- Automation best practices:



- Automation capabilities:



Put benefits and capabilities? Page 63

- Virtualization:

- Provides ways to abstract physical resources so they can be accessed as a pool of logical resources – enables improved utilization of IT, information, and people assets.

- Allows your clients to:
  - Simplify and consolidate servers and storage devices.
  - Reduce management complexity across a heterogeneous environment.
  - Optimize the utilization of server capacity for access to all data resources regardless of physical location.
  - Share multiple workloads over a single processor footprint.
- Clients need access to data resources as a single entity and to have applications respond quickly to the dynamic needs of the enterprise.
- There are several pain points facing the client. Consider these questions:
  - Can your client share departmental workloads across a single processor footprint?
  - Is your client viewing all data resources as a single entity?
  - Can our client reduce operation and systems management cost while maintaining needed capacity?
  - Is your client using information and resources across their organization efficiently?
  - Can your client respond quickly to the application needs of their customers?
  - Can you client gather information across the enterprise quickly?
  - Can your client deliver SLA response times during spikes in production and test scenarios?
- Solves real client problems in three main areas:
  - Cost Savings
    - Systems hardware and software capital
    - Human capital
  - Efficiency
    - Simplified management
    - Optimal utilization
    - Quality of services
  - Flexibility
    - Dynamic utilization
    - Time to market
    - Competitive differentiation

- Targeted towards clients who want to simplify their server environment and consolidate to lower costs and improve reliability and flexibility
- Flexible Financial and Delivery Offerings
  - FFDO gives clients more cost-effective ways to acquire, manage, and pay for their applications and services.
  - Characteristics of flexible computing models:
    - Clients acquire the application as a hosted service and pay through usage metrics (ex. named users, data used, and number of transactions).
    - The hosted application can be either managed in a client dedicated environment, or for those clients looking for maximum responsiveness and costs savings, in an environment that supports multiple organizations and subscribers through a single instance.
  - New revenue streams come with the ability to meet client demands for flexible delivery models.
  - By eliminating large up-front capital expenditures or lengthy development times, there will be fewer objections raised during the sales cycle.
  - Clients are no longer willing to continue to invest in computing resources simply to keep pace with changing technology. IT spending needs to show proven business benefit. With FFDO, you can help your clients better align their IT resources and spending with business requirements and by purchasing IT capabilities as a service, clients enjoy flexible pricing based on usage.
  - The benefit from using FFDO is that your clients can devote more attention to their core business and be more responsive to business needs.
  - FFDO includes innovative industry and application solutions, infrastructure and management services, and financing options that provide your clients increased flexibility in acquiring and managing the technology they need to run their business.
  - Financing Options
    - Clients have the ability to choose how they access FFDO:
      - Client owned or managed: clients acquire offerings, architectures, system designs, and integration services that they need to build their own dedicated computing capacity. They run the service as a “utility” to meet their internal business needs.
      - Vendor owned or managed: clients address business requirements using services provided by IBM that leverage standardized business process, application, or infrastructure components to optimize execution cost and speed.
    - Clients invest in the latest On Demand Business technology to achieve lasting competitive advantage – which lies in how those IT resources are deployed to meet business objectives.
    - With FFDO, you can help your clients reduce the time it takes to launch new capabilities and cut costs. This enables the client to gain

the capabilities and infrastructure that can dynamically support their business needs.

- Here are some questions to help qualify your clients and assess their most critical needs (answering “yes” to one or more of these questions can point the way to the most promising entry point into the organization):
  - Does the client’s IT resources keep them from responding to changes in their marketplace because they are not scalable or agile enough?
  - Does the client want to be getting more for less, improving IT utilization rates, and potentially reducing infrastructure expenses?
  - Does the client need the flexibility to dynamically deploy, provision, and pay for IT services?
  - Can the client benefit from proven business process solutions that can improve IT ROI and execution time lines?
  - Does the client want to show the board of directors that the client is lowering fixed IT costs and improving the equity of their company?
- Making the Right On Demand Business Decisions
  - Likely candidates for FFDO are organizations seeking to gain competitive advantage and speed ROI from IT investments.
  - If the organization is uncertain, focus on these areas of discussion (a combination of one or more should help you deal with your client’s objections):
    - Present the flexibility of choice of having solutions delivered on or off premise. Emphasize the cost and time savings of partnering, buying, or both, rather than building select IT capabilities.
    - Outline the benefits of leveraging current IT assets while migrating to a more standardized, flexible, open-platform IT environment.
    - Introduce the efficiencies and economies of scale that are possible when standardized software implementations are deployed.
    - Discuss the client’s need to tighten budgets, reduce capital investments, and more closely align IT spending with business goals.
    - Examine their ability to both handle current workloads and scale up (or down) to meet the demands of new business solutions and an expanding user base.
    - Explain that solutions for IBM On Demand Business are proven and that they can provide fast access to new capabilities, reducing risk and time.

- IBM and IBM Business Partners have a deep knowledge and long experience in managing and financing heterogeneous client environments. The result is that they can provide your clients with a clear roadmap and strategy to take them wherever it is they want to go. IBM and IBM Business Partners can be a trusted advisor and an accountable source for meeting client's needs.
- Value across the enterprise
  - FFDO can be tailored to meet your client's unique needs:
    - For IT executives at large enterprises who need to maximize their computing resource utilization by reliably and securely aligning their IT capabilities with the changing needs of their business processes and users.
    - For line of business (LOB) executives at large enterprises who need to anticipate and rapidly respond to marketplace changes by streamlining their business and IT processes.
    - For middle management LOB and IT executives who need to anticipate and rapidly respond to marketplace changes by streamlining their business and IT processes and maximizing their IT resources in a secure, reliable environment.